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Agenda Item 16

May 18, 2011

TO: MEMBERS OF THE BOARD OF ADMINISTRATION

- I. **SUBJECT:** Chief Auditor and Chief Risk Officer Independence Confirmation
- II. **PROGRAM:** Various
- III. **RECOMMENDATION:** Information
- IV. **ANALYSIS:**

Consistent with the Organizational Structure Initiative recommendations and common best practices, staff has designed a process to provide the Board of Administration (Board) the opportunity to regularly affirm that its Chief Auditor and Chief Risk Officer (CRO) are performing their functions independently and free of any undue influence. The Chief Auditor will provide confirmation of independence to the Finance Committee during a quarterly closed session. With the creation of the permanent Risk Management Committee, the CRO will provide confirmation of independence during a quarterly closed session of the Risk Management Committee. A closed session of the Finance Committee and Risk Management Committee will be added to the agenda beginning with the June Board and committee meeting schedule.

The purpose of these short closed sessions is the evaluation of personnel performance; the Chief Auditor and CRO will have the opportunity to affirm to the committees that their work and opinions have been free from undue influence. Committee members will have the opportunity to ask questions related to the independence of the Chief Auditor and CRO activities and reports as part of their review. The typical scope of these short closed sessions would focus on independence assurances such as the following:

Affirmation that none of the CRO or Chief Auditor's open session statements have been unduly influenced by any executives or other third parties; or, if so, report any concern about the function's independence

We believe this approach will provide the Board assurance of independence for these important positions in the organization and corresponds with the recommendations of the Special Review.

Staff plans to move forward with implementing closed sessions during the June Board meeting schedule and looks forward to any additional input from the Board.

V. STRATEGIC PLAN:

This agenda item supports Strategic Plan Goal II:

“Foster a work environment that values quality, respect, diversity, integrity, openness, communication, and accountability.”

VI. RESULTS/COSTS:

Not applicable.

RUSSELL G. FONG
Acting Chief Financial Officer

ANNE STAUSBOLL
Chief Executive Officer